



# **OFFICE OF THE STATE AUDITOR**

## **Hector H. Balderas**

**STATE OF NEW MEXICO**

**REGION II HOUSING AUTHORITY**

**FINANCIAL STATEMENTS**

**Fiscal Years Ended June 30, 2004, 2005, 2006 and 2007**

**(With Independent Auditor's Report Thereon)**

**STATE OF NEW MEXICO**

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STATE OF NEW MEXICO  
REGIONAL HOUSING AUTHORITY OF REGION II

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JUNE 30, 2004, 2005, 2006 and 2007

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STATE OF NEW MEXICO  
REGIONAL HOUSING AUTHORITY OF REGION II

OFFICIAL ROSTER  
JUNE 30, 2004, 2005, 2006 and 2007

The Region II Housing Authority ceased operations as of fiscal year ended June 30, 2007. Region II's operations were transferred to the Santa Fe Civic Housing Authority on June 1, 2008. No official rosters were found to document the names and positions of the members of the Board of Commissioners for the fiscal years ended June 30, 2004, 2005, 2006 and 2007.



## **OFFICE OF THE STATE AUDITOR**

**Hector H. Balderas**

### **INDEPENDENT AUDITOR'S REPORT**

Executive Director and Board of Commissioners  
Region II Housing Authority  
664 Alta Vista  
Santa Fe, New Mexico 87504

We were engaged to audit the accompanying financial statements of the business-type activities of the Region II Housing Authority (Region II) as of and for the fiscal years ended June 30, 2004, 2005, 2006 and 2007, which collectively comprise Region II's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Region II's management.

The scope of our audit of Region II was severely limited due to the lack of accounting records for the fiscal years ended June 30, 2004, 2005, 2006 and 2007. The expenditure documentation and the tenant files for the Section 8 Housing program were not available. Several months of bank statements were missing. Also, most of the minutes of the board meetings were missing.

Because of the significance of the matters discussed in the preceding paragraph, we are unable to express, and do not express an opinion on the financial statements of the business-type activities of Region II.

The accompanying basic financial statements referred to above have been prepared assuming Region II will continue to operate as a going concern. As further discussed in Note IV. E and F to the financial statements, for the fiscal year ended June 30, 2004 and 2005, Region II incurred an operating loss of \$13,435 and \$11,999. As of June 30, 2004, 2005, 2006 and 2007, Region II's current liabilities exceeded current assets by \$138,136, \$138,585, \$69,331 and \$34,265, respectively. As of June 30, 2004, 2005, 2006 and 2007, Region II had a deficit net asset balance of \$96,543, \$106,851, \$47,202 and \$20,869, respectively. As of June 30, 2004, Region II owed the U.S. Department of Housing and Urban Development (HUD) funds in the amount of \$74,736. As of June 30, 2005, 2006 and 2007, Region II owed HUD \$40,850. Also, Region II's corporation license was revoked on July 28, 2007. These conditions raise substantial doubt

about Region II's ability to continue as a going concern for a reasonable period of time. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

For the fiscal years ended June 30, 2004, 2005, 2006 and 2007, Region II implemented the new financial reporting requirements of Governmental Accounting Standards Board (GASB) Statement No. 34. As a result, an entirely new financial reporting format has been presented.

Region II has not presented the Management's Discussion and Analysis required by *GASB Statement No. 34* that the GASB has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2008 on our consideration of Region II's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of our audit performed in accordance with *Government Auditing Standards* and should be considering in assessing the results of our audits.

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise Region IV's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The scope of our audit was limited due to the lack of accounting records; therefore, we are unable to express and do not express an opinion on the schedule of expenditures of federal awards.

*Office of the State Auditor*

OFFICE OF THE STATE AUDITOR

December 9, 2008

**State of New Mexico  
Region II Housing Authority  
Statement of Net Assets  
Enterprise Fund**

Exhibit 1

**June 30, 2004, 2005, 2006 & 2007**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>ASSETS</b>				
Current Assets:				
Cash	\$ -	\$ -	\$ 32,587	\$ 43,575
Accounts Receivable	-	-	-	-
Cash - Restricted	-	-	-	-
Receivable from general fund	-	-	-	-
Program receivables	-	-	-	-
Total Current Assets	<u>-</u>	<u>-</u>	<u>32,587</u>	<u>43,575</u>
Noncurrent Assets:				
Capital Assets				
Land, Building and Equipment	277,779	277,779	277,779	277,779
Less accumulated depreciation	(86,785)	(98,095)	(109,405)	(120,716)
Total Noncurrent Assets	<u>190,994</u>	<u>179,684</u>	<u>168,374</u>	<u>157,063</u>
Total Assets	<u>190,994</u>	<u>179,684</u>	<u>200,961</u>	<u>200,638</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Cash overdraft	13,340	34,605	-	-
Accounts payable	9,186	11,627	10,186	19,479
Payroll and payroll taxes payable	30,501	30,459	7,364	-
Line of Credit - Wells Fargo	-	10,000	10,000	10,000
Due to State of NM Mortgage Finance Authority	-	-	20,000	20,000
Due to Department of Housing and Urban Development	74,736	40,850	40,850	40,850
Current portion of notes payable	5,886	4,980	5,235	5,500
Compensated absences payable	4,487	6,064	8,283	2,011
Total Current Liabilities	<u>138,136</u>	<u>138,585</u>	<u>101,918</u>	<u>97,840</u>
Noncurrent Liabilities:				
Inter-fund advance	24,999	28,528	32,057	34,980
Long-term notes payable	124,402	119,422	114,187	108,687
Total Noncurrent Liabilities	<u>149,401</u>	<u>147,950</u>	<u>146,244</u>	<u>143,667</u>
Total Liabilities	<u>287,537</u>	<u>286,535</u>	<u>248,162</u>	<u>241,507</u>
<b>Net Assets:</b>				
Invested in capital assets, net of related debt	60,706	55,282	48,952	42,876
Unrestricted/ Deficit	<u>(157,249)</u>	<u>(162,133)</u>	<u>(96,153)</u>	<u>(83,745)</u>
Net Assets (Deficit)	<u>\$ (96,543)</u>	<u>\$ (106,851)</u>	<u>\$ (47,201)</u>	<u>\$ (40,869)</u>

The notes to the financial statements are an integral part of this statement.

**State of New Mexico**  
**Region II Housing Authority**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Enterprise Fund**  
**For the Years Ended June 30, 2004, 2005, 2006, and 2007**

	2004	2005	2006	2007
<b>Operating Revenues:</b>				
HUD Subsidy Administrative fees	\$ 111,710	\$ 90,624	\$ 103,797	\$ 120,936
Bond inducement fees	-	-	-	28,125
Rent Income	9,513	6,496	12,359	7,315
Fees for Services	-	6,000	23,875	7,500
Interest income	2,219	11	37	62
Other Income	350	1,374	1,060	1,804
Total Operating Revenues	<u>123,792</u>	<u>104,505</u>	<u>141,128</u>	<u>165,742</u>
<b>Operating Expenses:</b>				
Depreciation expense	11,980	11,310	11,310	11,310
Dues and subscriptions	477	77	200	-
Office expense	6,041	5,988	5,694	4,681
Professional fees	-	-	-	5,132
Repair and Maintenance	-	2,514	9,737	5,198
Meetings and workshops	3,655	3,145	2,893	3,615
Loan payments	-	-	6,755	26,666
Loan interest payments	7,430	8,343	-	-
Advertisement	68	31	88	40
Appraisal	1,067	-	-	-
Audit	698	750	-	2,439
Rent expense	1,000	6,000	6,000	6,000
Salaries, payroll taxes and benefits	102,153	71,790	74,296	76,208
Miscellaneous expenses	1,526	6,069	2,305	7,322
Travel	1,132	487	373	308
Total Operating Expenses	<u>137,227</u>	<u>116,504</u>	<u>119,651</u>	<u>148,919</u>
Operating Income/(Loss)	<u>(13,435)</u>	<u>(11,999)</u>	<u>21,477</u>	<u>16,823</u>
<b>Non-Operating Revenues (Expense)</b>				
Housing Assistance Payments - Subsidy received	508,998	518,478	528,389	523,388
Housing Assistants payments	(513,823)	(517,075)	(490,510)	(533,879)
Reimbursements	-	288	294	-
Total Non-Operating Revenues and Expense	<u>(4,825)</u>	<u>1,691</u>	<u>38,173</u>	<u>(10,491)</u>
<b>Other Revenues and (Expenses)</b>				
Due from MFA	-	-	-	-
Total Other Revenues and Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	(18,260)	(10,308)	59,650	6,332
Net Assets(Deficit)-Beginning	<u>(78,283)</u>	<u>(96,543)</u>	<u>(106,851)</u>	<u>(47,201)</u>
Net Assets(Deficit)-Ending	<u>\$ (96,543)</u>	<u>\$ (106,851)</u>	<u>\$ (47,201)</u>	<u>\$ (40,869)</u>

The notes to the financial statements are an integral part of this statement.



**State of New Mexico**  
**Region II Housing Authority**  
**Statement of Cash Flows**  
**Enterprise Fund**  
**For the Years Ended June 30, 2004, 2005, 2006 and 2007**

	<b>Enterprise Funds</b>			
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from sales or services	\$ 123,358	\$ 104,505	\$ 141,128	\$ 165,742
Payments to suppliers and to and on behalf of employees	(92,796)	(107,104)	(135,639)	(147,186)
Net Cash Provided (Used) By Operating Activities	30,562	(2,599)	5,489	18,556
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Receipts from subsidy	468,150	484,592	528,389	523,388
Payments out for subsidy program	(513,823)	(517,075)	(490,509)	(533,879)
Net Cash Provided By Noncapital Financing Activities	(45,673)	(32,483)	37,880	(10,491)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Line of Credit - Wells Fargo	-	10,000	-	-
Working capital loan from MFA	-	-	20,000	-
Net Cash Provided by Capital and Related Financing Activities	-	10,000	20,000	-
<b>Cash Flows From Investing Activities:</b>				
Proceeds from notes receivable	3,529	3,529	3,529	2,923
Economic Development	2,066	-	-	-
Reimbursements	-	288	294	-
Net Cash Provided (Used) by Investing Activities	5,595	3,817	3,823	2,923
Net (Decrease) Increase in Cash and Cash Equivalents	(9,516)	(21,265)	67,191	10,988
Cash Balances-Beginning of the Period	(3,824)	(13,340)	(34,605)	32,586
Cash Balances-End of the Period	<u>\$ (13,340)</u>	<u>\$ (34,605)</u>	<u>\$ 32,586</u>	<u>\$ 43,574</u>
<b>Adjustments to Reconcile Operating (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating (Loss)	(13,435)	(11,999)	21,477	16,823
Adjustments to reconcile operating income to net cash				
Provided (Used) by Operating Activities:				
Depreciation Expense	11,980	11,310	11,310	11,310
Changes in Assets and Liabilities:				
Accounts Payable and Other Payables	33,914	(1,910)	(27,298)	(9,577)
Receivable, Net	(1,897)	-	-	-
Net Cash Provided by Operating Activities	<u>\$ 30,562</u>	<u>\$ (2,599)</u>	<u>\$ 5,489</u>	<u>\$ 18,556</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO  
 REGION II HOUSING AUTHORITY  
 STATEMENT OF FIDUCIARY NET ASSETS  
 AGENCY FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004, 2005, 2006 & 2007

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>ASSETS</b>				
Receivables:				
Inter-fund advance	\$ 24,999	\$ 28,528	\$ 32,057	\$ 35,586
Program receivables	16,198	12,669	9,140	5,611
Total Assets	<u>\$ 41,197</u>	<u>\$ 41,197</u>	<u>\$ 41,197</u>	<u>\$ 41,197</u>
<b>LIABILITIES</b>				
Due to State of NM Mortgage Finance Authority	\$ 41,197	\$ 41,197	\$ 41,197	\$ 41,197
Total Liabilities	<u>\$ 41,197</u>	<u>\$ 41,197</u>	<u>\$ 41,197</u>	<u>\$ 41,197</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO  
REGION II HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004, 2005, 2006 and 2007

**I. Summary of Significant Accounting Policies**

**A. General**

The Region II Housing Authority (Region II) was created pursuant to Regional Housing Law, Chapter 11, Article 3A, NMSA 1978. The law created seven regional housing authorities throughout New Mexico to provide decent, safe and sanitary housing for low-income residents. The law mandated that each authority operate only within the area of its own region. Region II consists of Rio Arriba, Los Alamos, Taos, Colfax, Mora, Santa Fe and San Miguel Counties. Region II was incorporated on July 13, 1994. However, Region II's corporation license was revoked on July 28, 2007.

Region II complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. For enterprise funds, GASB Statement 20 and 34 provide Region II the option of electing to apply FASB pronouncements issued after November 30, 1989. Region II has elected to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note. For the fiscal years ended June 30, 2004, 2005, 2006 and 2007, Region II implemented the new financial reporting requirements of GASB Statement No. 34. As a result, an entirely new financial presentation format has been implemented.

**B. Financial Reporting Entity**

Region II's basic financial statements include the accounts of all Region II operations. The criteria for including organizations as component units within Region II's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting*, included whether:

- The organization is legally separate (can sue and be sued in their own name);
- Region II holds the corporate powers of the organization;
- Region II appoints a voting majority of the organization's board;
- Region II is able to impose its will on the organization;
- The organization has the potential to impose a financial benefit/burden on Region II; and
- There is fiscal dependency by the organization on Region II.

Based on the aforementioned criteria, Region II has no component units.

STATE OF NEW MEXICO  
REGION II HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004, 2005, 2006 and 2007

**C. Financial Statements**

The financial statements of Region II have been prepared on the economic resources measurement focus and the accrual basis of accounting. Region II utilizes an enterprise fund to account for its operations as it is the intent of the governing body that the costs of providing goods and services to the general public on a continuing basis be financed or recovered through user charges or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, and accountability.

Region II's net assets consist of invested in capital assets, net of related debt and unrestricted assets (deficit). Invested in capital assets, net of related debt, consists of the cost of capital assets, net of accumulated depreciation and related debt. Restricted net assets - wherein the constraints placed on net asset are either by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

The enterprise fund consists of the following:

Housing Choice Vouchers – To account for U.S. Department of Housing and Urban Development's (HUD) program which provides Housing Tenant Assistance payments for qualified low-income residents in privately owned properties.

**D. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

The enterprise fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported. Enterprise fund equity is classified as net assets. These financial statements report information on all nonfiduciary activities of the primary government and its component units.

STATE OF NEW MEXICO  
REGION II HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004, 2005, 2006 and 2007

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Operating revenues are recognized as revenues in the year for which they are earned. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Program-specific grants and contributions (operating and capital) include revenues arising from mandatory and voluntary nonexchange transactions with other governments, organization, or individuals that are restricted for use in a particular program. The program revenues are derived directly from the U.S. Housing Department for the Section 8 Housing Choice Program. Grant revenue is from the federal tenant assistance program.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of Region II are Administrative Fees, Bond Inducement Fees and Rent. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is Region II's policy to use restricted resources first, then unrestricted resources as they are needed.

**E. Assets and Liabilities**

**1. Cash**

For the purpose of the Statement of Net Assets, cash and cash equivalents include all demand deposits of Region II. For the purpose of the Statement of Cash Flows, cash and cash equivalents include all demand and savings accounts, and certificates of deposit with an original maturity of six months or less.

**2. Accounts Payable**

Accounts payable relate to recurring operating activities of Region II.

Accrued expenses cannot be determined due to lack of individual vouchers and related backup documents.

Accounts payable in the amount of \$4,550 at fiscal year ended June 30, 2003 was carried forward to fiscal year 2004. Since the expenses that made up the \$4,550 were not identifiable, this portion of the accounts payable could not be reversed in subsequent years.

STATE OF NEW MEXICO  
REGION II HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
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Also, disbursement documents (invoices, vouchers, etc.) were not available to determine an accounts payable balance, if any, for the fiscal year ended June 30, 2004, 2005, 2006, and 2007.

**3. Capital Assets**

Land, buildings and equipment are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets, when received, are recorded at fair market value on the date received.

Capital assets with a value or cost greater than \$1,000 are accounted for as capital assets. For assets acquired after June 17, 2005, the capitalization limit was raised to \$5,000. Capital assets are defined by Region II as assets with a useful life. These assets are recorded at cost. Depreciation is provided over the assets estimated useful life using the straight-line method. The range of estimated useful lives by type of asset is as follows:

Depreciation is computed using the straight-line method. The estimated useful lives for major classes of depreciable capital assets include the following:

Buildings	20 years
Equipment	5 years

**4. Compensated Absences**

Annual leave for full-time employees is earned at varying rates and reported as an expense and a liability of the enterprise fund. After the first full year of employment, employees will be required to utilize at least 80 hours by November 30. Annual leave in excess of the 80 hours may be accrued to a maximum of 240 hours. Once an employee has accrued the maximum, the employee will be paid for any additional earned annual leave in the first pay period in December.

Sick leave is earned at varying rates. Sick leave may be accrued from year to year, up to a maximum of 640 hours. Accumulated sick leave is not paid upon separation of employment. In accordance with the provisions of Government Accounting Standards Statement No. 16 "Accounting for Compensated Absences," no liability is recorded for non-vested accumulated rights to receive sick pay benefits.

**5. Deficit Net Assets**

For the fiscal year ended June 30, 2004, 2005, 2006 and 2007, Region II has a deficit net asset balance of \$96,543, \$106,851, \$47,201 and \$40,869, respectively.

STATE OF NEW MEXICO  
REGION II HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004, 2005, 2006 and 2007

**II. Stewardship, Compliance and Accountability**

**A. Budgetary Information**

Budgets are not legally required and are not prepared by Region II.

**III. Detailed Notes on All Funds**

**A. Cash**

As of June 30, 2004 and 2005, Region II had a zero balance. The bank balance consisted of:

Wells Fargo Bank

Demand deposits - Checking	\$ 0
Less: FDIC coverage	<u>(0)</u>
Amount (over) uninsured	<u>\$ -0-</u>

*Custodial credit risk* is the risk in the event of a bank failure of the counterparty, Region II will not be able to recover the value of its deposits or collateral securities that are in the possession of an outside party. Region II's cash balances are not exposed to custodial credit risk. All deposits are covered by the Federal Deposit Insurance Corporation.

As of June 30, 2006, Region II had a carrying amount of deposits of \$32,587. The bank balances for deposits is \$36,496. The difference between the carrying amount and the bank balance of deposits was due to outstanding checks of \$3,909. The bank balance consisted of:

Wells Fargo Bank

Demand deposits	\$ 36,496
Less: FDIC coverage	<u>(36,496)</u>
Amount uninsured	<u>\$ - 0 -</u>

As of June 30, 2007, Region II had a carrying amount of deposits of \$43,575. The bank balances for deposits is \$48,017. The difference between the carrying amount and the bank balance of deposits was due to outstanding checks of \$4,442. The bank balance consisted of:

STATE OF NEW MEXICO  
REGION II HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004, 2005, 2006 and 2007

Wells Fargo Bank

Demand deposits	\$ 48,017
Less: FDIC coverage	<u>(48,017)</u>
Amount uninsured	<u><u>\$ - 0 -</u></u>

**B. Capital Assets**

Capital asset activity for the fiscal years ended June 30, 2004, 2005, 2006 and 2007 was as follows:

Description	Balance 06/30/03	Additions	Deletions	Balance 06/30/04
Business-Type Activities:				
Non-Depreciable Capital Assets				
Land	\$ 46,400	\$ -	\$ -	\$ 46,400
Depreciable Capital Assets				
Building	226,205	-	-	226,205
Equipment	5,174	-	-	5,174
Totals-depreciable capital assets	<u>231,379</u>	<u>-</u>	<u>-</u>	<u>231,379</u>
Less: Accumulated depreciation				
Building	(70,301)	(11,310)	-	(81,611)
Equipment	<u>(4,504)</u>	<u>(670)</u>	<u>-</u>	<u>(5,174)</u>
Total accumulated depreciation	<u>(74,805)</u>	<u>(11,980)</u>	<u>-</u>	<u>(86,785)</u>
Net depreciable capital assets	<u>156,574</u>	<u>(11,980)</u>	<u>-</u>	<u>144,594</u>
Net capital assets	<u><u>\$ 202,974</u></u>	<u><u>\$ (11,980)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 190,994</u></u>



STATE OF NEW MEXICO  
REGION II HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004, 2005, 2006 and 2007

Description	Balance 06/30/04	Additions	Deletions	Balance 06/30/05
Business-Type Activities:				
Non-Depreciable Capital Assets				
Land	\$ 46,400	\$ -	\$ -	\$ 46,400
Depreciable Capital Assets				
Building	226,205	-	-	226,205
Equipment	5,174	-	-	5,174
Totals-depreciable capital assets	231,379	-	-	231,379
Less: Accumulated depreciation				
Building	(81,611)	(11,310)	-	(92,921)
Equipment	(5,174)	-	-	(5,174)
Total accumulated depreciation	(86,785)	(11,310)	-	(98,095)
Net depreciable capital assets	144,594	(11,310)	-	133,284
Net capital assets	\$ 190,994	\$ (11,310)	\$ -	\$ 179,684

  

Description	Balance 06/30/05	Additions	Deletions	Balance 06/30/06
Business-Type Activities:				
Non-Depreciable Capital Assets				
Land	\$ 46,400	\$ -	\$ -	\$ 46,400
Depreciable Capital Assets				
Building	226,205	-	-	226,205
Equipment	5,174	-	-	5,174
Totals-depreciable capital assets	231,379	-	-	231,379
Less: Accumulated depreciation				
Building	(92,921)	(11,310)	-	(104,231)
Equipment	(5,174)	-	-	(5,174)
Total accumulated depreciation	(98,095)	(11,310)	-	(109,405)
Net depreciable capital assets	133,284	(11,310)	-	121,974
Net capital assets	\$ 179,684	\$ (11,310)	\$ -	\$ 168,374

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Description	Balance 06/30/06	Additions	Deletions	Balance 06/30/07
<b>Business-Type Activities:</b>				
Non-Depreciable Capital Assets				
Land	\$ 46,400	\$ -	\$ -	\$ 46,400
Depreciable Capital Assets				
Building	226,205		-	226,205
Equipment	5,174	-	-	5,174
Totals-depreciable capital assets	231,379	-	-	231,379
Less: Accumulated depreciation				
Building	(104,231)	(11,311)	-	(115,542)
Equipment	(5,174)	-	-	(5,174)
Total accumulated depreciation	(109,405)	(11,311)	-	(120,716)
Net depreciable capital assets	121,974	(11,311)	-	110,663
Net capital assets	\$ 168,374	\$ (11,311)	\$ -	\$ 157,063

**C. Notes Receivable**

There are two parties that are rehabilitating properties for the purpose of renting the properties to low-income tenants.

One note receivable was executed on July 1, 1996. The agreement is for \$18,000 with 5 percent interest per annum. Monthly installments of \$142 are due on the first of each month for a 15 year term. Maturity date of the security instrument is July 1, 2011. Note receivables annual payment is \$1,708 which includes total payments of principal and interest.

The second note receivable of the security instrument was executed on March 1, 1997. The agreement is for \$14,304 with 5 percent interest per annum. Monthly installments of \$152 are due on the first of each month for a 10 year term. Maturity date of the security instrument is March 1, 2007. Note receivables annual payment is \$1,821 which includes total payments of principal and interest.

It is unclear whether the amount collected by Region II is to be remitted to the New Mexico Mortgage Finance Authority (MFA) or HUD. The notes receivable are accounted for in an agency fund since it was financed by MFA.

During fiscal year 2004, both note receivables were current as of June 2004. During fiscal year 2005, both note receivables were current as of June 2005. During fiscal year 2006, both note

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receivables were current as of June 2006. During fiscal year 2007, both note receivables were current as of June 2007.

Notes receivable is related to amounts due for rent for low income tenants. No allowance has been provided for since management believes amounts are 100 percent collectible.

**D. Long-Term Debt**

Long-term debt activity for the fiscal years ended June 30, 2004, 2005, 2006 and 2007 was as follows:

	Balance 06/30/03	Additions	Deletions	Balance 06/30/04	Due within 1 year
Promissory Note - GF0001	\$ 131,173	\$ -	\$ (885)	\$ 130,288	\$ 5,886
Compensated absences	1,211	4,176	(900)	4,487	4,487
Totals	<u>\$ 132,384</u>	<u>\$ 4,176</u>	<u>\$ (1,785)</u>	<u>\$ 134,775</u>	<u>\$ 10,373</u>
	Balance 06/30/04	Additions	Deletions	Balance 06/30/05	Due within 1 year
Promissory Note - GF0001	\$ 130,288	\$ -	\$ (5,886)	\$ 124,402	\$ 4,980
Compensated absences	4,487	3,604	(2,027)	6,064	6,064
Totals	<u>\$ 134,775</u>	<u>\$ 3,604</u>	<u>\$ (7,913)</u>	<u>\$ 130,466</u>	<u>\$ 11,044</u>
	Balance 06/30/05	Additions	Deletions	Balance 06/30/06	Due within 1 year
Promissory Note - GF0001	\$ 124,402	\$ -	\$ (4,980)	\$ 119,422	\$ 5,235
Compensated absences	6,064	2,938	(719)	8,283	8,283
Totals	<u>\$ 130,466</u>	<u>\$ 2,938</u>	<u>\$ (5,699)</u>	<u>\$ 127,705</u>	<u>\$ 13,518</u>
	Balance 06/30/06	Additions	Deletions	Balance 06/30/07	Due within 1 year
Promissory Note - GF0001	\$ 119,422	\$ -	\$ (5,235)	\$ 114,187	\$ 5,500
Compensated absences	8,283	2,938	(9,210)	2,011	2,011
Totals	<u>\$ 127,705</u>	<u>\$ 2,938</u>	<u>\$ (14,445)</u>	<u>\$ 116,198</u>	<u>\$ 7,511</u>

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Long-term debt at fiscal years ended June 30, 2004, 2005, 2006 and 2007 consisted of a note payable to MFA. Monthly principal and interest payments of \$924 are due through December 2011 with a balloon payment of \$87,536. Interest will accrue on the principal amount of the loan at a rate equal to 5 percent annum. The note payable to MFA is collateralized with two properties.

The second long-term debt at fiscal year end June 30, 2006 consisted of a note payable to MFA. The loan execution date is July 18, 2005. The loan rate is 6 percent per year. Original principal amount was \$35,000 less \$15,000 retained by MFA, leaving a net balance of \$20,000. Beginning August 1, 2005, the first of every month, thereafter, only the monthly interest payments will be made. The loan was paid off in fiscal year 2007.

Principal maturities of the MFA long-term debt were as follows as of June 30, 2004:

<u>Due in Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 5,886	\$ 8,343	\$ 14,229
2006	4,980	5,550	10,530
2007	5,235	5,852	11,087
2008	5,500	5,587	11,087
2009	5,781	5,306	11,087
2010-2012	102,906	12,300	115,206
	<u>\$ 130,288</u>	<u>\$ 42,938</u>	<u>\$ 173,226</u>

Principal maturities of the MFA long-term debt were as follows as of June 30, 2005:

<u>Due in Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 4,980	\$ 5,550	\$ 10,530
2007	5,235	5,852	11,087
2008	5,500	5,587	11,087
2009	5,781	5,306	11,087
2010	6,078	5,010	11,088
2011-2012	96,828	7,290	104,118
	<u>\$ 124,402</u>	<u>\$ 34,595</u>	<u>\$ 158,997</u>

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Principal maturities of the MFA long-term debt were as follows as of June 30, 2006:

Due in Fiscal Year Ending	Principal	Interest	Total
2007	\$ 5,235	\$ 5,852	\$ 11,087
2008	5,500	5,587	11,087
2009	5,781	5,306	11,087
2010	6,078	5,010	11,088
2011	6,388	4,699	11,087
2012	90,440	2,591	93,031
	<u>\$ 119,422</u>	<u>\$ 29,045</u>	<u>\$ 148,467</u>

Principal maturities of the MFA long-term debt were as follows as of June 30, 2007:

Due in Fiscal Year Ending	Principal	Interest	Total
2008	5,500	5,587	11,087
2009	5,781	5,306	11,087
2010	6,078	5,010	11,088
2011	6,388	4,699	11,087
2012	90,440	2,591	93,031
	<u>\$ 114,187</u>	<u>\$ 23,193</u>	<u>\$ 137,380</u>

Region II borrowed on a line of credit of \$10,000 from Wells Fargo bank in fiscal year ended June 30, 2005. This debt was not paid off until December 2007. The short-term debt was paid off on December 26, 2007 for \$10,106 once the Santa Fe Civic Housing Authority (SFCHA) became the fiscal agent for Region II. The debt was issued for line of credit for daily operating expenses for Region II.

	Balance			Balance	Amounts due within one year
	06/30/2004	Increases	Decreases	06/30/2005	
Line of Credit	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ 10,000</u>
Total Short- Term Debt	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ 10,000</u>

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	Balance			Balance	Amounts due within one year
	<u>06/30/2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>06/30/2006</u>	<u>one year</u>
Line of Credit	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ 10,000</u>
Total Short-Term Debt	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ 10,000</u>

	Balance			Balance	Amounts due within one year
	<u>06/30/2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>06/30/2007</u>	<u>one year</u>
Line of Credit	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$10,000</u>
Total Short-Term Debt	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ 10,000</u>

### E. Conduit Debt

From time to time, Region II has issued multi-family housing revenue bonds for the purpose of providing funds to private sector entities for the acquisition, construction and rehabilitation of multi-family housing complexes. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the facilities transfers to the private sector entity served by the bond issue. Repayment of the bonds is from the net revenues of the multi-family housing complexes. Region II customarily receives an issuer fee. Region II is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The number of bonds outstanding and the aggregate principal amount payable at fiscal years ended June 30, 2004, 2005, 2006 and 2007 was not available.

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**IV. Other Information**

**A. Employee Retirement Benefits**

Substantially all of Region II's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act, Chapter 10, Article 11 NMSA 1978. The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits, survivor benefits and cost-of-living adjustments to the plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123.

Plan members are required to contribute 7 percent of their gross salary. Region II is also required to contribute 7 percent. The contribution requirements of plan members and Region II are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. Region II's contributions to PERA for the years ended June 30, 2004, 2005, 2006 and 2007 were \$6,585, \$6,049, \$10,181 and \$6,467 respectively.

**B. Risk Management**

Region II is exposed to various risks of losses related to torts, thefts of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. Insurance for Region II is available through the Risk Management Division (RMD) of the General Services Department (GSD) which is accounted for as an internal service fund of the State of New Mexico. In general, RMD responds to suits against the State and state agencies, manages funds to provide unemployment compensation, tort liability insurance, worker's compensation and general and property insurance, and attempts to reduce the number of suits against the State and state agencies through the risk management process. The actuarial gains and losses of RMD were not available and are not included in this report. Region II is not liable for more than the premiums paid.

**C. Related Party Transactions**

During the fiscal years ended June 30, 2004, 2005, 2006 and 2007, Region II did not have minutes of its Board of Commissioners to review or staff to inquire about related party transactions.

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**D. Subsequent Events**

Region II received an invoice from GSD, invoice number 09/07 for \$237,256, for unemployment insurance premiums in the subsequent year of the fiscal year-end audit of 2007.

Per our inquiry, the Executive Director of the SFCHA, which took over operations of Region II, stated that he received an update bill which was for \$15,531 from GSD for the unemployment insurance premiums. We also confirmed the amount of \$15,531, correct with GSD.

Region II borrowed short-term debt of \$10,000 from Wells Fargo in fiscal year ended June 30, 2005. This short-term was not paid off until December 26, 2007 by check #1008 for \$10,106.

**E. Going Concern**

For the fiscal year ended June 30, 2004 and 2005, Region II incurred an operating loss of \$13,435 and \$11,999. As of June 30, 2004, 2005, 2006 and 2007, Region II's current liabilities exceeded current assets by \$138,136, \$138,585, \$69,331 and \$34,265 respectively. As of June 30, 2004, Region II owed the U.S. Department of Housing and Urban Development (HUD) funds in the amount of \$74,736 for the HUD Program. As of June 30, 2005, 2006 and 2007, Region II owed HUD in the amount \$40,850. Those conditions raise substantial doubt about Region II's ability to continue as a going concern.

Through the date of our report, Region II continues its administration of the HUD Section 8 Voucher program. However, management of Region II has been turned over to the SFCHA.

**F. Deficit Net Assets**

Region II had negative net assets balances \$96,543, \$106,851, \$47,201 and \$40,869 for the years ended June 30, 2004, 2005, 2006 and 2007.

**G. Missing Accounting Records**

The following accounting records are missing or not available: expenditure documentation, tenant files for clients of the Section 8 Housing program, several months of bank statements, and most of the meetings minutes of its Board. Region II's accounting records were not maintained, or they were misplaced or lost during the transfer of Region II's operations to the Santa Fe Civic Housing Authority.



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JUNE 30, 2004, 2005, 2006 and 2007

**H. Missing Expenditure Documentation**

There were no vouchers, receipts, invoices, or authorization for any cash disbursements. Also, there were no cancelled checks for May 2007.

**I. Payroll, PERA and Compensated Absences**

There was no documentation for Region II's payroll for fiscal year ended June 30, 2003; therefore, we could not accurately compare current year actual and prior year actual. Also, there were no timesheets for fiscal year ended June 30, 2004 and 2005. Thus, all amounts in those fiscal years were calculated from the pay rate and estimated hours worked and we verified the rates and hours with the canceled checks. However, for our audit of fiscal years 2006 and 2007 there were timesheets available for payroll testing. There was no authorization for paychecks in fiscal years ended June 30, 2004, 2005, 2006, and 2007. Due to the lack of documentation, we could not determine if amounts were properly distributed as to account, fund, and budget category.

Region II ceased operations as of fiscal year ended June 30, 2007. Region II's operations were transferred to the SFCHA on June 1, 2008. Region II's records were not maintained or they were misplaced or lost during the transfer of Region II's operations to the SFCHA.

**J. Section 8 Housing**

During the fiscal years ended June 30, 2004, 2005, 2006 and 2007, Region II received Section 8 Housing Choice Vouchers Grant from HUD. The overall objective of the Housing Choice Voucher Program (HCVP) is to provide rental assistance to help very low-income families afford decent, safe, and sanitary rental housing.

The HCVP is administered by local public housing agencies (PHAs) authorized under state law to operate housing programs within an area or jurisdiction. The PHA accepts the application for rental assistance, selects the applicant for admission, and issues the selected family a voucher confirming the family's eligibility for assistance. The family must then find and lease a dwelling unit suitable to the family's needs and desires in the private rental market. The PHA pays the owner a portion of the rent (a housing assistance payment (HAP)) on behalf of the family.

The subsidy provided by the HCVP is considered a tenant-based subsidy because when an assisted family moves out of a unit leased under the program, the assistance contract with the owner terminates and the family may move to another unit with continued rental assistance.

In the HCVP, the PHA verifies a family's eligibility (including income eligibility) and then issues the family a voucher. The family generally has 60 days to locate a rental unit where the

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JUNE 30, 2004, 2005, 2006 and 2007

landlord agrees to participate in the program. The PHA determines whether the unit meets housing quality standards (HQS). If the PHA approves a family's unit and determines that the rent is reasonable, the PHA contracts with the owner to make HAPs on behalf of the family.

Under the HCVP, apart from the requirement that the rent must be reasonable in relation to rents charged for comparable units in the private unassisted market, there is generally no limit on the amount of rent that an owner may charge for a unit. However, at initial occupancy of any unit where the gross rent exceeds the payment standard, a family may not pay more than 40 percent of adjusted monthly income toward rent and utilities.

The voucher subsidy is set based on the difference between the lower of the PHA's applicable payment standard for the family or the gross rent and the total tenant payment (generally 30 percent of the family's monthly adjusted income). This is the maximum amount of subsidy a family may receive regardless of the rent the owner charges for the unit.

If the cost of utilities is not included in the rent to the owner, the PHA uses a schedule of utility allowances to determine the amount an assisted family needs to cover the cost of utilities. The PHA's utility allowance schedule is developed based on utility consumption and rate data for various unit sizes, structure types, and fuel types. The PHA is required to review its utility allowance schedules annually and to adjust them if necessary. This grant was selected as a major program in fiscal years ended June 30, 2004, 2005, 2006 and 2007.

PHAs may use HCVP funds only for HAP choice voucher for participating individuals, and the following was determined on allowable cost compliance. No documentation of applications was available. Proper documentation on Tenant Rent Payment Calculation was not available. A waiting list was not available. Because of the missing records, the auditors were unable to determine if the costs were reasonable and if payments were compliant with the federal award program guidelines.

The PHA's must determine reasonable rent for units leased by tenants under Section 8 Housing. The auditors were unable to determine if Region II had properly determined reasonable rent in accordance with its administrative plan for the tenants' units. The auditors were unable to review the administrative plan for determining reasonable rent from the PHA because it was not available. Consequently, the auditors were unable to determine if Region II had been paying reasonable rent for units in its region.

The PHA's under Section 8 must maintain housing quality inspections on all leased units in which tenants are receiving Section 8 assistance. Based on the lack of documentation, the auditors were unable to review the PHA's procedures for performing HQS inspections and quality control re-inspections for leased units, and were unable to determine if inspections had been properly completed for each unit.

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The PHA's must determine a utility allowance for each unit being leased through the Section 8 program. Based on the lack of documents, the auditors were unable to determine if Region II had properly determined utility allowance for each unit leased. In addition, the PHA procedure for obtaining and reviewing utility rate data each year was not provided so the auditors were unable to review the PHA procedures. Also, the auditors were unable to test if the amount paid to the tenant was correct because they were not provided the approved utility allowance schedule and we were not provided the utility allowance available for each unit leased by the tenant.

In conclusion, based on the lack of proper documentation provided by Region II, the auditors were unable determine proper compliance with federal regulations for the fiscal years ended June 30, 2004, 2005, 2006, and 2007. The auditors were unable to determine if individuals were eligible for housing choice vouchers; were unable to determine if the housing choice vouchers funds were being properly used; were unable to determine if Region II was properly determine reasonable rent; were unable to determine if Region II was properly inspecting the housing units; were unable to determine if Region II was properly determining utility allowance and correctly reimbursing individual for utility assistance; and were unable to properly comply with the testing requirements of A-133 Supplemental B.

**K. Bank Statements**

There were missing bank statements from June 30, 2003 to January 31, 2004 for the First National Bank in Las Vegas, New Mexico.

There were missing bank statements for the First National Bank–Economic Development Account during fiscal year ended June 30, 2004. The only supporting documentation was a Notice of Wire Transfer dated November 14, 2003. The Economic Development Account balance of \$241,674 was transferred from the First National Bank to the Bank of Albuquerque with a new beneficiary name of Rio Minority Purchasing Council. Since the auditors were not provided bank statements for this account, they could not verify any activity during the audit period. Also, since there were no authorized check signers available for this period of audit, the auditors could not verify the bank balance at fiscal year ended June 30, 2004.

STATE OF NEW MEXICO  
REGION II HOUSING AUTHORITY  
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004, 2005, 2006 & 2007

Schedule 1

	Balance June 30, 2003	Additions	Deletions	Balance June 30, 2004
<b>Assets</b>				
Receivables:				
General Fund	\$ 21,470	\$ 3,529	\$ -	\$ 24,999
Cash	220,524	-	220,524	-
Program receivables	19,727	-	3,529	16,198
Total assets	<u>\$ 261,721</u>	<u>\$ 3,529</u>	<u>\$224,053</u>	<u>\$ 41,197</u>
<b>Liabilities</b>				
Due to State of NM Mortgage Finance Authority	\$ 41,197	\$ -	\$ -	\$ 41,197
Due to State of NM Economic Development Department	220,524	-	220,524	-
Total liabilities	<u>\$ 261,721</u>	<u>\$ -</u>	<u>\$220,524</u>	<u>\$ 41,197</u>
	Balance June 30, 2004	Additions	Deletions	Balance June 30, 2005
<b>Assets</b>				
Receivables:				
General Fund	\$ 24,999	\$ 3,529	\$ -	\$ 28,528
Program receivables	16,198	-	3,529	\$ 12,669
Total assets	<u>\$ 41,197</u>	<u>\$ 3,529</u>	<u>\$ 3,529</u>	<u>\$ 41,197</u>
<b>Liabilities</b>				
Due to State of NM Mortgage Finance Authority	\$ 41,197	\$ -	\$ -	\$ 41,197
Total liabilities	<u>\$ 41,197</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,197</u>
	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006
<b>Assets</b>				
Receivables:				
General Fund	\$ 28,528	\$ 3,529	\$ -	\$ 32,057
Program receivables	12,669	-	3,529	\$ 9,140
Total assets	<u>\$ 41,197</u>	<u>\$ 3,529</u>	<u>\$ 3,529</u>	<u>\$ 41,197</u>
<b>Liabilities</b>				
Due to State of NM Mortgage Finance Authority	\$ 41,197	\$ -	\$ -	\$ 41,197
Total liabilities	<u>\$ 41,197</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,197</u>
	Balance June 30, 2006	Additions	Deletions	Balance June 30, 2007
<b>Assets</b>				
Receivables:				
General Fund	\$ 32,057	\$ 3,529	\$ -	\$ 35,586
Program receivables	9,140	-	3,529	\$ 5,611
Total assets	<u>\$ 41,197</u>	<u>\$ 3,529</u>	<u>\$ 3,529</u>	<u>\$ 41,197</u>
<b>Liabilities</b>				
Due to State of NM Mortgage Finance Authority	\$ 41,197	\$ -	\$ -	\$ 41,197
Total liabilities	<u>\$ 41,197</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,197</u>

Regional Housing Authority of Region II  
**Schedule of Expenditures of Federal Awards**  
For Fiscal Years Ended June 30, 2004, 2005, 2006 and 2007

Schedule 2

For the Fiscal Year Ended June 30, 2004:

	Federal CFDA Number	Pass- Through Grantor's Number	Total Awards Expended
U.S. Department of Housing and Urban Development			

**U.S. Department of Housing and Urban Development**

Direct Programs:

Section 8 Housing Administration - Expenditures	14.871	N/A	\$ 33,147
Section 8 Housing Choice Vouchers - Expenditures	14.871	N/A	587,561
Total Federal Financial Assistance -Expenditures			<u>\$ 620,708</u>

For the Fiscal Year Ended June 30, 2005:

	Federal CFDA Number	Pass- Through Grantor's Number	Total Awards Expended
U.S. Department of Housing and Urban Development			

**U.S. Department of Housing and Urban Development**

Direct Programs:

Section 8 Housing Administration - Expenditures	14.871	N/A	\$ 27,967
Section 8 Housing Choice Vouchers - Expenditures	14.871	N/A	581,135
Total Federal Financial Assistance			<u>\$ 609,102</u>

For the Fiscal Year Ended June 30, 2006:

	Federal CFDA Number	Pass- Through Grantor's Number	Total Awards Expended
U.S. Department of Housing and Urban Development			

**U.S. Department of Housing and Urban Development**

Direct Programs:

Section 8 Housing Administration - Expenditures	14.871	N/A	\$ 47,767
Section 8 Housing Choice Vouchers - Expenditures	14.871	N/A	584,419
Total Federal Financial Assistance			<u>\$ 632,186</u>

Regional Housing Authority of Region II  
**Schedule of Expenditures of Federal Awards**

Schedule 2

For Fiscal Years Ended June 30, 2004, 2005, 2006 and 2007

For the Fiscal Year Ended June 30, 2007:

	Federal CFDA Number	Pass- Through Grantor's Number	Total Awards Expended
U.S. Department of Housing and Urban Development			

**U.S. Department of Housing and Urban Development**

Direct Programs:

Section 8 Housing Administration - Expenditures	14.871	N/A	\$ 32,440
Section 8 Housing Choice Vouchers -Expenditures	14.871	N/A	611,834
Total Federal Financial Assistance			<u>\$ 644,324</u>

Note 1: The Schedule of Expenditures of Federal Awards using the accrual basis of accounting which is described in Note 1 of the authority's financial statements. The information in this schedule is presented in accordance with the requirements of OMB circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Expenditures related to federal awards have been including in various categories in the Statementsof Revenues, Expenses and changes in Retained Earning. During the years ended June 30, 2004, 2005, 2006 and 2007 there were no federal awards expensed in the form of non-cash assistance, and there were no loans or loan guarantees outstanding.

Note 2: On the CFDA # the expenditures for each year includes only Section 8 expenditures for administrative expenses and housing choice voucher payments. The financial statements included expenses and revenues that are related to other programs that Region II was involved with.



## **OFFICE OF THE STATE AUDITOR**

**Hector H. Balderas**

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed  
in Accordance with *Government Auditing Standards*

Executive Director and Board of Commissioners  
Region II Housing Authority  
664 Alta Vista  
Santa Fe, New Mexico 87504

We were engaged to audit the financial statements of the business-type activities of the Region II Housing Authority (Region II) as of and for the fiscal years ended June 30, 2004, 2005, 2006 and 2007 and have issued our report thereon dated December 9, 2008. We issued a disclaimer of opinion because of missing accounting records. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Region II's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Region II's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Region II's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatements of Region II's financial statements that is more than inconsequential will not be prevented or detected by Region II's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items number 03-01, 03-02, 04-01, 04-02, 04-04, and 04-05 to be significant deficiencies in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Region II's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider 03-01, 03-02, 04-01, 04-02, 04-04, 04-05 to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Region II's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 03-04.

We noted certain matters that are required to be reported under the Government Auditing Standards January 2007 revision paragraphs 5.14 and 5.16 and Section 12-6-5, NMSA 1978 which are described in the accompanying schedule of findings and questioned costs as findings 04-03.

Region II's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Region II's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of Region II's management, the Board of Commissioners, the New Mexico Office of the State Auditor, the New Mexico Department of



Finance and Administration, and the New Mexico State Legislature, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Office of the State Auditor*

OFFICE OF THE STATE AUDITOR

December 9, 2008



## **OFFICE OF THE STATE AUDITOR**

**Hector H. Balderas**

### **REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Executive Director and Board of Commissioners  
Region II Housing Authority  
614 Alta Vista  
Santa Fe, New Mexico 87504

#### Compliance

We were engaged to audit the compliance of the Region II Housing Authority (Region II) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the fiscal years ended June 30, 2004, 2005, 2006 and 2007. Region II's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Region II.

Except as discussed in the following paragraph, we conducted our audit of compliance in accordance with generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards (GAGAS), issued by the Comptroller Generally of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that would have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Region II's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides

procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Region II's compliance with those requirements.

We were unable to obtain sufficient documentation supporting the compliance of Region II with Section 8 Housing Choice Vouchers compliance requirements (Activities Allowed or Unallowed, Eligibility, Reporting, and Special Tests and Provisions) and we were not able to satisfy ourselves as to Region II's compliance with those requirements by other auditing procedures.

We do not express an opinion on Region II's compliance with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2004, 2005, 2006 and 2007.

#### Internal Control Over Compliance

The management of Region II is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Region II's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Region II's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in Region II's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified and deficiencies in internal control over compliance that we considered to be significant deficiencies.

A *control deficiency* in Region II's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects Region II's ability to administer a federal program such that there is a more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by Region II's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items FA 03-05, FA 04-01 and FA 04-02 to be significant deficiencies.

A *material weakness* is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Region II's internal

control. We considered all of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

Region II's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Region II's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of Region II's management, the Board of Commissioners, New Mexico Office of the State Auditor, the New Mexico Department of Finance and Administration, the New Mexico State Legislature, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Office of the State Auditor*

OFFICE OF THE STATE AUDITOR

December 9, 2008

STATE OF NEW MEXICO  
REGION II HOUSING AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2004, 2005, 2006 and 2007

**Summary of Audit Results:**

Report on Financial Statements

1. The auditor's report expresses a disclaimer of opinion on the financial statements of Region II.
2. Significant deficiencies were disclosed by the audit of the financial statements and six were considered to be material weaknesses.
3. One instance of noncompliance material to the financial statements of the Region II was noted.
4. Significant deficiencies in internal control over major programs were disclosed by the audit. The auditor's report on compliance for the major federal award program for Region II expresses a disclaimer of opinion.
5. There were two audit findings related to Region II's major federal award program, which are required to be reported under 510(a) of Circular A-133.
6. The major program is Section 8 Housing Voucher Program CFDA No. 14.871.
7. The threshold for distinguishing Type A and B programs was \$300,000.
8. Region II was not determined to be a low-risk auditee.

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STATUS OF PRIOR YEAR AUDIT FINDINGS

03-01 - Cash Management – Repeated & Modified  
03-02 - Use of Agency Funds – Repeated & Modified  
03-03 - Use of Family Self Sufficiency Funds - Resolved  
03-04 - Timely Filing of Audit Report – Repeated & Modified  
03-05 - HUD Compliance for Section 8 Housing Voucher Program - Repeated & Modified

CURRENT YEAR AUDIT FINDINGS

**03-01. Cash Management**

Condition

During the fiscal year ending June 30, 2004, funds earned from administrative and bond inducement fees were not sufficient to meet operating expenses. In order to meet operating expenses, Region II over-requisitioned and used restricted funds of the Section 8 Voucher Program.

Criteria

Region II needs to generate positive cash flow to meet operating expenses and scheduled principal and interest payments.

Effect

This resulted in an amount due to the U.S. Department of Housing and Urban Development at June 30, 2004 in the amount of \$40,850.

Cause

Operating expenses in excess of revenues earned which result in net operating losses, combined with continuing debt services requirements, resulted in reduced cash flow.

Recommendation

Region II should take action to ensure that funding is in place which will generate revenues sufficient to cover operating expenses.

Agency Response

Even though current management was not involved in the operations, we concur with the State Auditor's finding.

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**03-02. Improper Use of Agency Funds**

Condition

Since fiscal year ending June 30, 1998, Region II has transferred monies from its Mortgage Notes – Agency Fund to its General Fund. Monies received for the Mortgage Notes – Agency Fund are to be held in a trust capacity and should not be used by the Region II for operating purposes. Monies collected in the Mortgage Notes – Agency Fund are payable to the State of New Mexico Mortgage Finance Authority (MFA). These monies remain unpaid as of fiscal year end June 30, 2007. Region II is significantly late in its payments due to MFA for its mortgage notes payable. The amount due to MFA is \$41,197.

Criteria

Per Contract/Agreement between Region II and MFA, monies collected in the Mortgage Notes – Agency Fund are payable to MFA.

Effect

Region II used the Agency Fund without a plan to replenish the fund. There are no resources available for repayment of the principal and interest amounts accrued to date.

Cause

Region II used the Agency Fund due to lack of operating funds.

Recommendation

Current collection of Mortgage Notes – Agency Fund should be remitted to MFA upon receipt. Region II needs to implement a payment schedule and start repaying the amount outstanding at the end of the fiscal year ended June 30, 2007.

Agency Response

Even though current management was not involved in the operations, we concur with the State Auditor's finding.

**03-04. Filing of Audit Report**

Condition

Region II did not file its June 30, 2004, 2005, 2006 and 2007 audit reports with the Office of the State Auditor (OSA) prior to the required filing deadlines. The reports were submitted on December 12, 2008.

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Cause

Region II did not contract with an auditor for audit services for the fiscal years ended June 30, 2004, 2005, 2006 and 2007 until after the deadline.

Criteria

Section 2.2.2.9 A(G) NMAC requires the filing of the audit report by the specified due date.

Effect

Financial information is not available for decision-making purposes.

Recommendation

Future annual financial audits should be performed as soon as possible to submit the audit report to the State Auditor by the required deadlines.

Agency Response

Even though current management was not involved in the operations, we concur with the State Auditor's finding.

**04-01. Payroll Documentation Was Missing**

Condition

For fiscal year ended June 30, 2004, out of eleven payroll documents tested, eleven instances of missing timesheets were documented for a total net pay of \$9,966. Also, ten instances of missing paystubs were documented for a total net pay of \$9,513. For fiscal year ended June 30, 2005, out of ten payroll documents tested, six instances of missing time sheets were documented. Also, six instances of missing pay stubs were documented for a total net pay of \$1,224.

Criteria

Good accounting practices and the MAPs require state agencies to have internal controls for documenting all aspects of payroll records. Section 6-5-2(B) NMSA 1978 requires state agencies comply with the MAPs established by Department of Finance and Administration and the administrative head of each state agency shall ensure that the model accounting practices are being followed.

Effect

Region II may have overpaid its employees.

Cause

Region II was dissolved in September 2007 and it appears that most of Region II's records were not maintained or they were misplaced or lost during the transfer of Region II to the Santa Fe Civic Housing Authority (SFCHA).



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Recommendation

Region II should ensure that all payroll expenditures are accurately prepared, properly documented and maintained for auditing purposes. Region II should also ensure that all required supporting documentation be attached before payment is made.

Agency's Response

Even though current management was not involved in the operations, we concur with the State Auditor's finding.

**04-02. Lack of Supporting Documentation for Expenditures**

Condition

For fiscal year ending June 30, 2004, out of eighty-one purchase documents tested, eighty-one did not have purchase documents (i.e., invoices, vouchers) or any other supporting documents to verify board approval for a total of \$25,507. Also, ten did not have any documentation of a check for a total of \$6,859. Out of those ten purchase documents tested, three of the amounts could not be found on the bank statement for a total of \$1,515.

For fiscal year ending June 30, 2005, out of fifty purchase documents tested, fifty did not have purchase documents (i.e., invoices, vouchers) or any other supporting documents to verify board approval for a total of \$15,734. Also, one did not have any documentation of a check and could not be found on the bank statement for a total of \$90.

For fiscal year ending June 30, 2006, out of fifty purchase documents tested, fifty did not have purchase documents (i.e., invoices, vouchers) or any other supporting documents to verify board approval for a total of \$27,061. Also, one did not have any documentation of a check and could not be found on the bank statement for a total of \$75.

For fiscal year ending June 30, 2007, out of fifty purchase documents tested, fifty did not have purchase documents (i.e., invoices, vouchers) or any other supporting documents to verify board approval for a total of \$22,025. Also, four did not have any documentation of a check for a total of \$2,907. Out of those ten purchase documents tested, two of the amounts could not be found on the bank statement for a total of \$1,056.

Criteria

Good accounting practices and the MAPs require all commitments to purchase goods or services must be documented by a properly completed purchase document. Also, MAPs require the approval on all requests of payment and that proper supporting documentation be kept on all purchases. Section 6-5-2(B) NMSA 1987 requires state agencies comply with the model accounting practices established by DFA and the administrative head of each state agency shall ensure that the model accounting practices are being followed.

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Effect

Not having the supporting documentation may result in payments being made for goods or services that were not received or that did not meet specifications. Also, there is the risk that Region II may pay the same invoice twice.

Cause

Region II ceased operations as of fiscal year ended June 30, 2007. Region II's operations were transferred to the Santa Fe Civic Housing Authority (SFCHA) on June 1, 2008. It appears that most of Region II's records were not maintained or they were misplaced or lost during the transfer of Region II's operations to the SFCHA.

Recommendation

We recommend that all purchase documents are approved, have attached invoices, and/or other appropriate supporting documentation and certify that goods/services were received before payment is made.

Agency Response

Even though current management was not involved in the operations, we concur with the State Auditor's finding.

**04-03. Same Check Number Used Twice**

Condition

Out of eighty-one purchase documents tested, three used the same check number twice for a total of \$2,614.

Criteria

Good accounting practices require each check be issued a different check number to ensure all checks properly clear the bank. Section 2.20.5.8.C(7) NMAC requires that all accounting systems, including subsidiary systems, record transactions timely, completely, and accurately. Section 6-5-2(B) NMSA 1987 requires state agencies comply with the model accounting practices established by DFA and the administrative head of each state agency shall ensure that the model accounting practices are being followed.

Effect

Unable to easily determine what amount or check cleared the bank.

Cause

Multiple companies were set up in Region II's accounting software which were all tied to the same bank account. When checks were written they were not properly used in numerical order.

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Recommendation

Each company should be designated certain check numbers to ensure they are not being used twice.

Agency Response

Even though current management was not involved in the operations, we concur with the State Auditor's finding.

**04-04. Lack of Accounts Payable Documentation**

Condition

For fiscal year endings June 30, 2004, 2005, 2006 and 2007, there was no documentation of invoices; therefore, the auditor was unable to apply generally accepted auditing procedures to accounts payable. The amount by which this departure would affect the liabilities and expenditures of all Region II's funds is not reasonably determinable.

Criteria

Good accounting practices and the MAPs require all commitments to purchase goods or services must be documented by a properly completed purchase document. Also, MAPs require the approval on all requests of payment and that proper supporting documentation be kept on all purchases. Section 6-5-2(B) NMSA 1987 requires state agencies comply with the model accounting practices established by DFA and the administrative head of each state agency shall ensure that the model accounting practices are being followed.

Effect

The accounting records do not support the financial statement and disclosure presentation, therefore management and funding agencies are not able to make decisions based on the presented numbers.

Cause

Region II ceased operations as of fiscal year ended June 30, 2007. Region II's operations were transferred to the Santa Fe Civic Housing Authority on June 1, 2008. It appears that most of Region II's records were not maintained or they were misplaced or lost during the transfer of Region II's operations to the SFCHA.

Recommendation

We recommend that all purchase documents have attached invoices, and/or other appropriate supporting documentation.

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Agency Response

Even though current management was not involved in the operations, we concur with the State Auditor's finding.

**04-5. No Cash Reconciliations and Missing Bank Statements**

Condition

During our audit test work of the cash audit program, we found that Region II was not properly maintaining bank reconciliations for each of its depository accounts. Region II was missing original bank statements for numerous months to support the bank balances and book balances for each account. There was no verifiable way to see if reconciliations were performed. In some scenarios, we found that Region II's cash disbursement checks did not have pre-printed check numbers and Region II used some check numbers more than once.

Criteria

Good accounting practices and internal controls require Region II to properly maintain accurate books and records of cash balances on a day-to-day basis. MAPs require timely reconciliation of all cash bank accounts. Section 2.20.5.8.C(7) NMAC requires that all accounting systems, including subsidiary systems, record transactions timely, completely, and accurately. Section 6-5-2(B) NMSA 1987 requires state agencies comply with the model accounting practices established by DFA and the administrative head of each state agency shall ensure that the model accounting practices are being followed.

Cause

Region II ceased operations as of fiscal year ended June 30, 2007. Region II's operations were transferred to the Santa Fe Civic Housing Authority on June 1, 2008. It appears that most of Region II's records were not maintained or they were misplaced or lost during the transfer of Region II's operations to the SFCHA.

Effect

Without the cash reconciliations and bank statements, Region II may not be able to effectively manage cash.

Recommendation

We recommend Region II prepare cash reconciliations for each depository account to reflect the cash transactions to its financial statements. Region II should maintain and file proper supporting documentation for its cash balances at the opening and closing of each period.

Agency Response

Even though current management was not involved in the operations, we concur with the State Auditor's finding.

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**FA 03-05. Lack of Supporting Documentation and Required Reports**

Federal Grantor - U.S. Department of Housing and Urban Development  
Program - Section 8 Housing Choice Voucher  
CFDA No.14.871

Condition

Out of twenty-five vouchers sampled, none were in proper compliance due to the lack of documentation for fiscal years ending 2004, 2005, 2006 and 2007. We were unable to determine the following:

- The eligibility of individuals for housing choice vouchers;
- Whether housing choice vouchers funds were being properly used;
- Whether Region II was properly determining reasonable rent for each of its units;
- Whether Region II was properly inspecting the housing units; and
- Whether Region II was properly determining utility allowance and correctly reimbursing individual for utility assistance.

Also, Region II was unable to provide us with any reports that are required to be submitted to the federal grantor as required by the grant agreement or the compliance supplement.

Due to the items noted above we were unable to properly examine Region II's compliance with the requirements of OMB Circular A-133.

Criteria

Good accounting practices and OMB A-133 Compliance Supplement require complete and accurate records and proper file maintenance.

Effect

Not having proper documentation results in the lack of a determination of compliance with the provisions of the grant agreements, federal regulations and compliance requirements of the federal program.

Cause

Region II ceased operations as of fiscal year ended June 30, 2007. Region II's operations were transferred to the Santa Fe Civic Housing Authority on June 1, 2008. It appears that most of Region II's records were not maintained or they were misplaced or lost during the transfer of Region II's operations to the SFCHA.

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JUNE 30, 2004, 2005, 2006 and 2007

Questioned Costs

None.

Recommendation

We recommend that Region II properly maintain all records relating to the federal award programs to maintain compliance with the grant agreements and OMB Circular A-133.

Agency Response

Even though current management was not involved in the operations, we concur with the State Auditor's finding. Region II's corporation license was revoked on July 28, 2007.

**FA 04-01. Late Submission of Data Collection Form**

Federal Grantor - U.S. Department of Housing and Urban Development  
Program - Section 8 Housing Choice Voucher  
CFDA No.14.871

Condition

The Data Collection Form can not be submitted to the Federal Audit Clearinghouse until the annual financial audit has been completed; therefore, the A-133 compliance audit for the fiscal years ended June 30, 2004, 2005, 2006 and 2007 was not submitted by the required final due date of March 31 of each corresponding year. Region II did not request an extension of time from the oversight agency for the audit.

Criteria

OMB Circular A-133 Section .320(a) states that the Data Collection Form and Audit report shall be submitted within the earlier of 30 days after receipt of the auditor's report(s), or nine months after the end of the audit period. Based on this regulation, the latest Region II could have filed the Data Collection Form in a timely manner with the Federal Audit Clearinghouse was March 31, 2008. OMB Circular A-133 Section .320(a) permits the oversight agency for audit to grant an extension of time for submitting the Data Collection Form if the request for extension is submitted in advance of the regular due date noted in the previous sentence.

Effect

Region II is in violation of OMB Circular A-133 Section .320(a). This violation could potentially jeopardize Region II's eligibility for funding from federal agencies. Late audit report submission also prevents the timely release of financial data.

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REGION II HOUSING AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2004, 2005, 2006 and 2007

Cause

Region II did not contract with an auditor for audit services for the fiscal years ended June 30, 2004, 2005, 2006 and 2007. The OSA received an appropriation from the New Mexico State Legislature in 2008 to conduct the audits.

Recommendation

Region II should complete preparations for the audit and have the audit fieldwork conducted at an earlier date than in the current year to ensure the auditors have sufficient time to complete the audit report by the specified date.

Agency Response

Even though current management was not involved in the operations, we concur with the State Auditor's finding. Region II's corporation license was revoked on July 28, 2007.

**FA-04-02. No Financial Data Schedule or Electronic Submission to HUD**

Federal Grantor - U.S. Department of Housing and Urban Development  
Program - Section 8 Housing Choice Voucher  
CFDA No.14.871

Condition

The Financial Data Schedule was not presented in the audit report and the schedule was not electronically submitted to HUD's REAC staging database for the fiscal years ended June 30, 2004, 2005, 2006 and 2007.

Criteria

OMB Circular A-133, 320(b) requires Region II to submit the Financial Data Schedule. Region II should have filed the Financial Data Schedule Form in a timely manner with HUD.

Effect

This violation could potentially jeopardize the Region II's eligibility for funding from federal agencies.

Cause

Region II neglected to prepare the schedule and submit the information to HUD for the fiscal years ended June 30, 2004, 2005, 2006, and 2007.

Recommendation

Region II should prepare the schedule and submit the information to HUD as required.

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Agency Response

Even though current management was not involved in the operations, we concur with the State Auditor's finding. Region II's corporation license was revoked on July 28, 2007.



STATE OF NEW MEXICO  
REGIONAL HOUSING AUTHORITY OF REGION II  
EXIT CONFERENCE  
JUNE 30, 2004, 2005, 2006 AND 2007

Financial Statement Preparation

The accompanying financial statements were prepared by the Office of the State Auditor (OSA). However, the contents remain the responsibility of Region II.

Exit Conference

On December 9, 2008 an exit conference was held at the offices of Region II with Mr. Ed Romero, Executive Director of the Region II. Representing the OSA was Chan Kim, CPA, Audit Manager. The results of the audit and the contents of this report were discussed.

